

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 AGR-05 CEA-01

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TAGS: ETRD, GATT, EALR, VE

SUBJ: MTN DATA BASE SUBSIDIES

REF: STATE 204944

1. THERE FOLLOWS THE INFORMATION REQUESTED IN THE REFTEL
CONCERNING VENEZUELAN AGRICULTURAL AND INDUSTRIAL SUBSIDIES:

2. AGRICULTURAL SUBSIDIES: WE SUGGEST THAT THE MTN SUBGROUP
REFER TO VZ-5022 OF JANUARY 24, 1975 AS A REFERENCE BASE. FOR
MORE SPECIFIC DATA ON THE USE OF SUBSIDIES (BOTH PRODUCER AND
EXPORT SUBSIDIES) BY COMMODITY AREA (PARAGRAPH 6A OF REFTEL) THE
MTN SUBGROUP SHOULD REVIEW THE 22 SCHEDULED AND VOLUNTARY REPORTS
THAT WERE SUBMITTED SUBSEQUENT TO VZ-5002 (I.E. VZ-5003 THROUGH
VZ-5024). THE FOLLOWING INFORMATION IS KEYED TO THE OTHER
SUBSECTIONS OF PARAGRAPH 6 IN THE REFTEL:

A. ALL SUBSIDIES ARE DECREED OR LEGALIZED THROUGH RESOLUTION
AND ARE THEN PRINTED IN THE OFFICIAL GAZETTE. PRODUCER SUBSIDIES
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ARE USUALLY USED TO STIMULATE OUTPUT OF AN AGRICULTURAL

COMMODITY FOR WHICH VENEZUELA IS A DEFICIT PRODUCER AND OFTEN-TIMES FOR A PRODUCT FOR WHICH IMPORT COSTS ARE QUITE LARGE (I.E. GRAIN SORGHUM, CORN, SOYBEANS, MILK). EXPORT SUBSIDIES ARE PRIMARILY AIMED AT MAKING LOCALLY GROWN COMMODITIES COMPETITIVE ON THE WORLD MARKET (I.E. COTTON):

B. THE GOV PLANS TO SPEND ABOUT \$600 MILLION ANNUALLY IN PRODUCER SUBSIDIES AND CREDITS FOR ALL AGRICULTURAL COMMODITIES. DUE TO THE INABILITY TO ACCUMULATE LARGE EXPORTABLE SUPPLIES, THE USE OF EXPORT SUBSIDIES HAS BEEN LIMITED. HOWEVER, IN THE CASE OF COTTON WHERE A LARGE SURPLUS CURRENTLY EXISTS, THE GOV INCREASED THE FUNDS PREVIOUSLY CREATED UNDER THE LAW OF EXPORTATION PROMOTION BY 50 PERCENT SO AS TO GRANT A COTTON EXPORT SUBSIDY EQUAL TO ABOUT 60 CENTS PER POUND. BASED ON THE AMOUNT OF SUBSIDY NOW NEEDED TO MAKE VENEZUELAN COTTON COMPETITIVE AND THE QUANTITY THAT VENEZUELA IS EXPECTED TO EVENTUALLY EXPORT, COTTON SUBSIDIES OVER THE NEXT YEAR COULD APPROACH \$9.0 MILLION:

C. BUDGETARY APPROPRIATION IS MADE FOR SUBSIDY PROGRAMS, AS IN THE CASE OF COTTON. BUT, SINCE SUBSIDIES HAVE BEEN LIMITED ONLY TO FRUIT AND FISH PRODUCTS, COSTS HAVE BEEN RELATIVELY SMALL (SEE PAGE 3 OF VZ-5002);

D. NOT AVAILABLE EXCEPT FOR COTTON (SEE C ABOVE);

E. NOT AVAILABLE FOR ALL PRODUCTS. ALL COTTON EXPORTS WILL BE SUBSIDIZED AT 30-45 PERCENT;

F. NOT TO ANY MEASURABLE DEGREE;

G. NO EXACT INFORMATION AVAILABLE BUT FOREIGN COMPANIES INVOLVED IN PRODUCTION AND EXPORTS OF AGRICULTURAL PRODUCTS ARE TREATED THE SAME AS NATIONAL COMPANIES.

3. INDUSTRIAL SUBSIDIES: VENEZUELA HAS NOT DIRECT CASH SUBSIDIES TO INDUSTRIES. HOWEVER, INDUSTRIES CAN BE GRANTED PARTIAL OR FULL EXONERATION OF IMPORT DUTIES PAYABLE FOR MACHINERY, SEMI-FINISHED PRODUCTS OR RAW MATERIAL. THE SUBSIDIES PAYABLE TO EXPORTERS ARE BASED ON THE EXPORT INCENTIVES LAW. THIS LAW PERMITS DIRECT PAYMENT BY THE GOVERNMENT TO THE EXPORTER IN THE FORM OF BONDS OR CERTIFICATES OF BETWEEN 1 PERCENT AND 100 PERCENT OF THE VALUE ADDED DOMESTICALLY TO ANY EXPORTED PRODUCT. THE MINIMUM VALUE ADDED MUST BE 30 PERCENT. EXEMPTED ARE COFFEE, COCOA, PETROLEUM AND ITS BY-PRODUCTS, AUTOMOTIVE PARTS IF EXPORTED BY ASSEMBLERS WHO CAN COUNT EXPORTED PARTS TOWARDS THEIR LOCAL LIMITED OFFICIAL USE

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COMPONENT INCORPORATION QUOTA, AND WASTE PRODUCTS. THE VALUE ADDED IS CALCULATED AS THE DIFFERENCE BETWEEN THE F.O.B. PRICE OF THE EXPORTED PRODUCT AND THE VALUE IN FOREIGN CURRENCY OF THE IMPORTED COMPONENTS, RAW MATERIAL AND INDIRECT FOREIGN COSTS. ANOTHER INDIRECT SUBSIDY IS BASED ON THE EXPORT FINANCING LAW WHICH PROVIDES LOW INTEREST LOANS TO COMPANIES REQUIRING MONEY TO FINANCE THEIR EXPORTS.
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